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**BANK SECRECY ACT:
Implementation of the Report of International
Transportation of Currency or Monetary
Instruments (CMIR)**

OIG-03-062

March 4, 2003



Office of Inspector General

The Department of the Treasury

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Abbreviations

BSA	Bank Secrecy Act
CMIR	Report of International Transportation of Currency or Monetary Instruments
CMC	Customs Management Center
CUSTOMS	Bureau of Customs and Border Protection
CY	Calendar Year
Department	Department of the Treasury
E-mail	Electronic Mail
EOAF	Executive Office for Asset Forfeiture
FID	Financial Investigations Division
FinCEN	Financial Crimes Enforcement Network
FY	Fiscal Year
GPRA	Government Paperwork Reduction Act
HQ	Headquarters
ITS	ITS Corporation

Contents

MOU	Memorandum of Understanding
NDC	Customs National Data Center
OF	Office of Finance
OFO	Office of Field Operations
OIG	Office of Inspector General
OIT	Office of Information Technology
POE	Port of Entry
TD	Treasury Directive
TECS	Treasury Enforcement Communication System
U.S.	United States
USC	United States Code
Y2K	Year 2000

*The Department of the Treasury
Office of Inspector General*

March 4, 2003

Robert C. Bonner
Commissioner
Bureau of Customs and Border Protection

James F. Sloan
Director
Financial Crimes Enforcement Network

This report presents the results of the Office of Inspector General's (OIG) audit on the Report of International Transportation of Currency or Monetary Instruments (CMIR). The objective of the audit was to determine whether the allegations concerning a backlog of CMIR transactions had merit. Also, our objectives were to (1) determine whether the Bureau of Customs and Border Protection (Customs) and the Financial Crimes and Enforcement Network (FinCEN) have established the appropriate internal control processes to effectively implement revisions to the CMIR Form 4790; (2) evaluate whether Customs has enhanced its data base system to accommodate changes to the revised form, and (3) assess any accelerated efforts taken to alleviate the potential backlog of CMIR transactions.

CMIR information is collected because of its high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. Information collected may be provided to investigative officers and employees of Customs and to any other law enforcement agencies such as state, local and foreign criminal law enforcement and regulatory personnel in the performance of their duties.

FinCEN administers the Bank Secrecy Act (BSA) of 1970, which includes implementing the Treasury regulatory requirements for CMIR reported transactions. Customs' role is that of the Nation's

primary border agency to interdict drugs and contraband and to ensure that all goods and persons entering and exiting do so in compliance with the United States (U.S.) laws and regulations. Customs, through its ports of entry (POE), processes over 90 percent of the CMIR reported transactions. The remaining 10-percent of transactions are mailed to its headquarters office located in Washington D.C. for processing.

We conducted our audit work at FinCEN locations in Vienna, Virginia and in Washington D.C., and at the Customs locations in Newington, Virginia and at its Headquarters in Washington D.C. from January 2002 through August 2002. A more detailed description of our objectives, scope and methodology is provided as Appendix one.

Results in Brief

We found that Customs had taken actions to address the reported backlog of over 200,000 CMIRs that had existed for over 18 months. The reported backlog was resolved within four months by December 2001 because of Customs accelerated actions. We believe the backlog of CMIR information decreased Customs' efficiency of providing this information to the law enforcement communities.

Reasons the backlog occurred included, low management priority, lack of funds and Year 2000 (Y2K) conversion problems in 1999 that impacted the electronic-mail (e-mail) message capability in the Treasury Enforcement Communication System (TECS) used to report CMIR error messages. Also, the newly revised form required additional data fields and a revised data format to be programmed into TECS to facilitate capture of this information.

As part of the audit objective to determine if and when the backlog had occurred, we requested CMIR files from the Office of Information Technology (OIT) for calendar years (CY) 2000, 2001 and the first quarter of 2002. We applied statistical sampling methodology to evaluate the CMIR files. Our analysis found that the backlog had existed as early as the beginning of CY 2000. Customs executed an action plan in January 2002 to improve its internal controls over the CMIR processes and program. Some of the action plan items had been addressed at the time of the audit while others were in process at the end of our fieldwork. We

believe once the action plan items have been completed, it should further enhance and improve the overall CMIR processes and program. Also, actions taken should ensure compliance by the ports with Treasury regulatory requirements for reporting CMIR data.

In addition, we found that CMIRs known as rejects were sent back to the ports because of deficiencies, such as incomplete forms, missing information and missing signatures. As a result, some of the ports did not always comply with regulatory requirements for reporting. During our audit, Customs was addressing the controls and procedural action plan items associated with these deficiencies. Also, actions were taken by Customs to accommodate required TECS database changes to facilitate capture of CMIR data into TECS.

As part of the audit, we conducted follow-up activity regarding a previous recommendation to revise the CMIR form. In an Office of Inspector General (OIG) audit report titled *United States Department of the Treasury Audit of Bank Secrecy Act Reporting*, OIG-99-081, issued April 30, 1999, we recommended that the form be revised to include certain travelers' checks, money orders and foreign bank drafts as reportable monetary instruments. However, at the time of the 1999 OIG report, Customs and FinCEN officials indicated that they recognized the declaration form was outdated, but could not agree which agency or office should take the responsibility for updating the form. BSA regulations and Customs directives require the form to be completed by individuals and businesses to declare their currency or monetary instruments when entering or exiting the country. Through the coordinated efforts of Customs and FinCEN, the revised form was issued in April 2000.

We recommend that Customs and FinCEN take the following actions: Customs should (1) continue to evaluate its current efforts to fund the CMIR program with permanent budgetary funding, (2) continue efforts as outlined in its action plan signed in January 2002 to further improve the overall CMIR program processes and CMIR form 4790; (3) assess more cost effective and operationally efficient methods for administering the program, including an automated integrated system; and (4) along with FinCEN, continue efforts to further streamline and improve the CMIR form.

Background

Allegations in a September 2001 letter, addressed to the Treasury Under Secretary for Enforcement, regarding Customs and FinCEN's lack of actions to process investigative and law enforcement information were referred to the Treasury Department's Inspector General. In response to these allegations the OIG initiated an audit. The Complainant specifically alleged that delays by Customs and FinCEN senior management to implement revisions to the CMIR form resulted in a backlog of over 200,000 CMIRs that may contain critical investigative information related to the money trails of all individuals transporting currency or monetary instruments.

Furthermore, it was alleged that the revised CMIR form was not timely implemented to avert the potential backlog. Additionally, in the letter and in further electronic messages, the Complainant alleged that database systems used to input and generate the reported CMIR transactions were not appropriately updated and/or enhanced which added to the delays in processing CMIR transactions.

Customs is the Nation's primary border agency. Its mission includes interdicting drugs and contraband while ensuring that all goods and persons entering and exiting the U.S. do so in compliance with the U.S. laws and regulations. Customs files approximately 200,000 CMIRs annually. Of this total, Customs' 304 ports of entry process over 90 percent of the CMIR reported transactions. The remaining 10 percent are processed at the Customs Headquarters located in Washington D.C.

FinCEN administers the BSA of 1970, which establishes the Treasury reporting requirements for CMIR eligible transactions. There is no limitation on the total amount of currency or other monetary instruments that may be brought into or taken out of the U.S. However, *31 CFR part 103 of the BSA* requires reports of exports and imports of monetary instruments in excess of \$10,000.

Customs is required by *31 CFR Part 103 of the BSA* to collect the currency and monetary instrument information at its ports of entry. CMIR information is very useful in criminal, tax, or regulatory investigations or proceedings. The BSA Regulations also require that the CMIR form 4790 should be filed at the time of entry into the U.S. These reports should be filed within 15-days after receipt of the currency or monetary instrument. Information collected may

be provided to investigative officers and employees of Customs and users of the information such as FinCEN. Law enforcement agencies such as state, local and foreign criminal law enforcement and regulatory personnel also request this information in the performance of their duties.

After receipt at the ports of entry and by mail at Customs' Headquarters offices, copies of the CMIR forms are submitted to the ITS Corporation (ITS) Federal contractor's San Diego Data Center for processing. ITS has provided data preparation and data entry services for Customs since about 1980. ITS received approximately 200,000 CMIR documents annually and processed over 1,000 CMIRs per day.

Upon receipt of the CMIRs at the ITS contractor site, the data entry, validation and disk download process takes place. First, the CMIRs are entered into the Automated Daily Receipt Log in TECS. Errors such as incomplete record control number, missing data elements or other critical errors are noted and posted by TECS e-mail to the ports for clarification. After pre-edit processing, CMIRs are sent to the ITS contractor data entry area for keypunching. The keypunch operator enters the data under a *double-entry* process, whereby one operator enters the data and another operator verifies the entry from a hardcopy form. Once the data is validated as complete, a printout is generated of all documents ready for transfer to magnetic disk or diskette. Data downloaded onto disks is uploaded into TECS for regularly scheduled processing at Customs National Data Center located in Newington, Virginia.

Once the data entry, validation and download process have been completed, the ITS contractor sorts and scans all CMIR documents onto Optical Disks. These CMIR documents are then indexed and stored by ITS. All hardcopy CMIRs, are mailed to Customs Headquarters, for submission to the Federal Archives for storage.

Findings and Recommendations

Finding 1

Actions Taken to Eliminate the CMIR Backlog

At the time of our audit, we found that Customs had taken actions to address the reported backlog of over 200,000 CMIRs that had existed for over 18-months. The reported backlog was resolved

within four months, by December 2001, because of Customs accelerated actions. Accordingly, the backlog caused CMIR information to remain unavailable to the law enforcement communities. We believe the backlog of CMIR information decreased Customs' efficiency of providing this information to the law enforcement communities.

Actions taken and/or planned by Customs included: (1) assigned a senior level official and higher management priority to address the backlog and provided oversight responsibilities to assist with future enhancements (2) dedicated funds to alleviate the backlog and to make future improvements to the program, and (3) implemented an action plan in January 2002 to address the backlog and to improve the overall CMIR program.

Reasons the backlog occurred included, low management priority assigned to the program and the lack of available funds to continue operations. Also, due to Year 2000 (Y2K) conversion problems in 1999, the e-mail message capability in the TECS used to report CMIR error messages back to the ports by the ITS contractor had stopped working. It was not fixed until March of 2001. As a result, approximately 3,000 e-mail error reports, referred to as rejects¹ became backlogged. Another reason cited was that, to accommodate the newly revised CMIR form 4790, additional data fields and a revised data format had to be programmed into TECS by OIT and the inclusion of data entry formats by ITS.

Regarding funding, we found that until FY 2001 Customs requested funds from the Departmental Offices', Executive Office for Asset Forfeiture (EOAF) and/or had taken funds from other programs within its OIT to operate the CMIR program. However, EOAF decided in FY 2001, because of budgetary constraints, not to fund the program. Therefore, funds had to be unexpectedly funded out of the OIT's budget base and only limited amounts were made available.

Also, during FY 2001, the Office of Investigations (OI), Financial Investigations Division (FID), experienced delays in processing the mailed-in CMIRs because of funding. Further, FID personnel told us that they requested supplemental funds in June 2001. We found

¹Rejects, are CMIR forms which contain insufficient data or errors that cannot be processed by the ITS contractor. As of December 31, 2001, the backlog of approximately 3000 rejects had been cleared and processed into TECS.

that once funds were made available the backlogs at the ITS contractor site and delays at FID were addressed. These actions were taken in September 2001 and the backlogs and delays were resolved in December 2001. As part of the audit objective to determine if and when the backlog occurred, we requested CMIR files from Customs OIT for CYs 2000, 2001 and the first quarter of 2002. We applied statistical sampling methodology to evaluate the CMIR files for these years as shown in tables 1, 2 and 3.

Our analysis found that the backlog had existed at the beginning of CY 2000. In CY 2000, our analysis indicated an average lag time of seven months from when the CMIR report was submitted to the ITS contractor until processed into the TECS database (Table 1). For CY 2001, our analysis indicated an average lag time of four months (Table 2). Also, our analysis indicated the backlog or delays to process cleared as early as CY 2002 (Table 3).

TABLE 1:

Calendar Year 2000		
Name of Port	Total CMIR (Annual)	Lag Time (in months)
Hidalgo, TX	6,836	7
Miami, FL	38,264	7
Los Angeles, CA	28,440	7
JFK, NY	17,633	7
San Francisco, CA	6,466	7
U.S. Customs Hdqrs.	11,270	7
Grand Total	108,909	

Average lag time -7 months

TABLE 2

Calendar Year 2001		
Name of Port	Total CMIR (Annual)	Lag Time (in months)
Hidalgo, TX	5,935	4
Miami, FL	35,396	5
Los Angeles, CA	24,571	4
JFK, NY	14,744	4
Nogales, AZ	6,352	5
U.S. Customs Hdqrs.	7,994	4
Grand Total	94,992	

Average lag time-4 months

TABLE 3

First Quarter CY 2002		
Name of Port	Total CMIR	Lag Time (in months)
Hidalgo, TX	1,492	0
Miami, FL	7,852	0
Los Angeles, CA	6,020	0
JFK, NY	2,571	0
Nogales, AZ	1,374	0
U.S. Customs Hdqrs.	2,666	0
Grand Total	21,975	

Average lag time 0-months

Due to the scope of our audit, we were not able to assess how long CMIRs remained at the ports of entry or at Headquarters before submitted to the ITS contractor site.

Customs Actions to Further Improve the CMIR Program

As discussed above, Customs executed an action plan in January 2002 to further improve internal controls over the CMIR processes and program. We believe once the action plan items have been addressed, it should further enhance and improve the overall CMIR program processes. Also, these actions taken should ensure compliance by the ports of entry and Headquarters with the Treasury regulatory requirements to report CMIR data.

We found that the Assistant Commissioners for OIT, OFO and OI signed the action plan memorandum on January 4, 2002. Additionally, Directors for OIT; Software Development Division, OFO, Passenger Programs; and OI, Financial Investigations, agreed to the action plan. Along with action plan responsibilities, the OIT, Customs Software Development Division's director was designated as the official responsible for oversight and monitoring responsibilities over the CMIR backlog, program and processes.

Several of the significant action items provided in the plan to improve controls over the CMIR processes and program included:

- **Project resources, logistical needs and expectations**—assign lead executives for the project; develop MOU between OFO, OIT and OI for timely elimination of the backlog; develop an expenditure plan for the \$800,000; draft Request for Information to identify potential long-term solutions.
- **Backlog elimination**—promulgate interim policy to field operations; conduct on-site visits at contractor site; return all rejects to ITS contractor for processing; eliminate backlog of all CMIRs by December 2001.
- **Contractual Actions**— identify/allocate \$800,000 for FY 2002 CMIR processing; OIT to work with Procurement for FY 2003 contractor support; put task order in place for FY 2003 CMIR entry; clarify local form retention policy with counsel; conduct preliminary meeting with FinCEN; request opinion from FinCEN Counsel on various issues.
- **Processing improvements**—analyze impact of record control number changes on TECS; establish standard operating procedures for OI field processing of CMIR forms; conduct

process re-engineering and work group sessions; develop and provide draft instruction document for field operations personnel on new procedures.

- **Pilot New Techniques and Technologies**—conduct pilot tests at seven ports; explore technology options, methods, and identify evaluation methods for each pilot test.

At the time of our audit, Customs management had completed work on some action items, implemented and/or developed the action plans on others. However, we found that for other action items the work was still in process. Additionally, OIT conducted pilot tests at seven ports and Headquarters to explore technologies such as palm pilots to capture CMIR data and use of fax machines.

Also, we documented efforts by Customs' OFO and FID to improve the controls and procedures over processing CMIRs. Actions taken by OFO were cited in two memorandums, in October and November 2001, to the port Directors. Each of the memoranda addressed deficiencies, which impacted timely submissions and compliance with regulatory requirements. These deficiencies included CMIR errors referred to as rejects that were sent back to the ports by the ITS contractor. Some of the rejects included incomplete forms, incorrect information and missing signatures.

As a result, some ports of entry did not always comply with Treasury requirements for timely reporting. Because of these deficiencies, Customs began addressing the controls and procedural action plan items associated with these deficiencies.

Additionally, the two memorandums provided instructions on handling the approximately 3,000 rejects and provided instructions to improve management controls. Customs officials' in the two memorandums re-emphasized the ports adherence to Customs directives and procedures, especially to its *Customs Directives and Passenger Handbook*, issued May 2000. Other measures cited in the November 2001 memorandum included (1) required use of the new CMIR form 4790, (2) all port officers must review and ensure the forms are complete, and (3) all CMIR forms must be mailed to the ITS contractor data entry center the morning after the day of receipt of the error report.

As part of the action item to address improvements in processing, FID also developed control procedures for handling CMIRs mailed

into Headquarters and/or faxed. FID emphasized use of the newly revised CMIR form.

Recommendations

The Commissioner of Customs and Border Protection should:

1. Evaluate its current actions to obtain funds for the CMIR program. Due to the importance of the program to financial investigations, budgetary funding should be requested annually to facilitate continuity in program operations. This will reduce the risk of backlogs or delays in processing future CMIRs.

Management Comments

Customs concurred with this recommendation. As a result, base funding each year in the amount of \$500,000 was requested and approved under the Emergency Supplemental approved by Congress in February 2001.

2. Continue its efforts as outlined in its action plan to further improve the overall CMIR program process and the CMIR form 4790.

Management Comments

Customs concurred with this recommendation. Customs worked its CMIR action plan through April 2002, at which time the only remaining open items involved process re-engineering and revision of the CMIR form. Customs has been engaged in CMIR re-engineering since November 2001, and has finalized a solution that will allow CMIR data to be captured within 48 hours of travel, and will significantly reduce the error rate. Based upon the current circumstances, we anticipate a full deployment of the digital sending solution in late 2003.

3. Assess efforts for cost effective and enhanced electronic transmission methods to operate the program, including continued efforts towards a fully automated integrated system, with links to its existing systems, and assess whether its current contractor provides the most cost effective method for capturing CMIR data.

Management Comments

Customs concurred with this recommendation. Customs assessed three processes: Status quo, PDA data capture at the Port and Digital sender. After a cost benefit analysis on the three, the digital sender solution was the deemed to be the most cost effective, retaining the current contractor for the data entry.

Finding 2 Implementation of the Revised CMIR Form

We found, for the most part, Customs had taken actions to establish appropriate control procedures and implement revisions to the CMIR form. Also, Customs made necessary modifications to the TECS database to accommodate the revisions. Through the coordinated efforts of Customs and FinCEN, the revised form was issued in April 2000.²

As part of the audit objective, we conducted follow-up activity regarding a previous recommendation made in an OIG audit report titled, *United States Department of the Treasury Audit of Bank Secrecy Act Reporting*, OIG-99-081, issued April 30, 1999. In this report, we recommended that the CMIR form be revised to include certain travelers' checks, money orders and foreign bank drafts as reportable monetary instruments.

At the time of the 1999 OIG report, Customs and FinCEN officials indicated that they recognized the declaration form was outdated, but could not agree which agency or office should take the responsibility for updating the form. Subsequent to the 1999 OIG report, Customs became aware that the new CMIR form required additional data fields to be added to the TECS database by OIT and that a revised data format for the ITS contractor was needed. We found that Customs worked with FinCEN to implement the CMIR 4790 form. The revised form was issued for use in April 2000. Further, as part of Customs on-going efforts as outlined in

² FinCEN officials provided documents that supported actions to conjunctively work with Customs to revise the CMIR form. Accordingly, in documentation provided, the revisions were being made to clarify the instructions to the form, in accordance with the BSA. FinCEN/Customs legal counsels and enforcement offices made the revisions, and it was released in the Federal Register, on October 20, 1999. Subsequently, the Office of Management and Budget approved the form.

its action plan signed in January 2002, Customs was committed to improve the CMIR program process and associated CMIR form.

As a result of their commitment, Customs Deputy Commissioner executed a memorandum in April 2002 to the Director of FinCEN to agree to continue working together to streamline the CMIR process and to further improve the CMIR form. During our fieldwork, Customs and FinCEN shared several documents that supported efforts to continue work to streamline and improve the CMIR process.

The memorandum recommended that the two parties agree to the following terms:

- Customs, the custodian of all data related to CMIR, will ensure the data is available in TECS, is responsible for collection and transmission of data contained on the CMIR into TECS and is responsible for printing and distributing the CMIR forms to field locations.
- FinCEN, the owner of the CMIR data, is responsible for working with the Office of Management and Budget to satisfy all requirements pursuant to CMIR changes; any amendments, material or cosmetic changes made by FinCEN to the CMIR form must be approved by Customs; FinCEN will absorb data system reprogramming expenditures resulting from any amendments made by FinCEN; and FinCEN is responsible for the analysis, reporting and dissemination of raw CMIR data to requesting agencies per the established BSA guidelines.

We believe actions taken by Customs and FinCEN to implement the revised form by April 2000 and additional action plan measures outlined in the memorandum should continue to streamline and to improve the form as well as improve the overall efficiency of the CMIR program.

Recommendations

4. The Commissioner of Customs and Border Protection should continue its work actions with the FinCEN's Director to provide assistance to one another to further improve and enhance the existing CMIR form and processes.

Management Comments

Customs concurred with this recommendation. Customs has been working with FinCEN on a new form that has been reviewed by all Customs stakeholders (OI, OFO, OIT, Chief Counsel), as well as FinCEN. The new form has been reviewed and approved, and is awaiting release for public comment

* * * * *

We would like to express our appreciation to FinCEN and Customs for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202) 927-5591, or a member of your staff may contact Ethel Taylor-Young, Audit Manager, at (202) 927-6453. Major contributors to this report are listed in Appendix 3.



Alexander Best, Jr.
National Director, Enforcement Program Audits

Our audit objective was to determine if the allegations concerning a backlog of CMIR transactions had merit. Also, our objective was to determine whether Customs and FinCEN established the appropriate internal control processes to effectively implement revisions to the CMIR form, appropriately enhanced its database systems to accommodate changes to the revised form, and accelerated efforts to alleviate the alleged backlog of CMIR transactions. In addition, our objective included determining whether Customs and FinCEN were adhering to Treasury regulatory requirements.

We conducted numerous interviews and discussions with the appropriate Customs and FinCEN personnel responsible for initiating and executing the CMIR form and processes. We reviewed the policies and procedures in place to comply with Treasury regulatory requirements. Also, we evaluated the internal control processes and measures Customs and FinCEN took to correct the backlog of over 200,000 transactions. In addition, we verified when and how Customs and/or FinCEN communicated to facilitate reporting of CMIR transactions. Also, we followed-up on a recommendation made in an OIG 1999 audit report, which recommended that the CMIR 4790 form be revised to include certain monetary instruments. To accomplish our objective, we selected ports of entry from selected Customs CMC sites and at its Headquarters office located in Washington D.C. for CYs 2000, 2001 and first quarter of 2002.

This audit was not part of the OIG Annual Plan for FY 2001, but was initiated, in part, based on allegations regarding an alleged backlog in the processing of CMIRs. The Under Secretary for Enforcement referred this allegation to the OIG. As part of this multi-bureau review of controls over the processing of CMIRs, we conducted audit work at FinCEN's Washington, D. C., and Vienna, Virginia locations and at Customs' Washington, D. C. and its Newington Data Center in Virginia.

This report reflects the results of our audit work at FinCEN and Customs. We started our fieldwork during January 2002 and completed on-site work at the two organizations during July 2002. We conducted our audit in accordance with generally accepted government auditing standards.

Appendix 2
Management Comments



U.S. Customs Service

Memorandum

DATE: February 14, 2003

FILE: AUD-1-OP CN

MEMORANDUM FOR ALEX BEST, JR
OFFICE OF INSPECTOR GENERAL

FROM: Acting Director
Office of Planning

SUBJECT: Comments on Inspector General Draft Report
on CMIR

Thank you for providing us with a copy of your draft report entitled "Bank Secrecy Act: Implementation of the Report of International Transportation of Currency or Monetary Instrument (CMIR)" and the opportunity to discuss the issues in this report.

Customs has taken a number of steps to address the issues identified during your review. These steps are outlined in the attached document.

We have determined that the information in the audit does not warrant protection under the Freedom of Information Act.

If you have any questions regarding the comments, please have a member of your staff contact Ms. Cecelia Neglia at (202) 927-9369.

Brenda B. Smith

Brenda B. Smith

Attachment

TRADITION

★

SERVICE

★

HONOR

Appendix 2
Management Comments

Attachment

Responses to Audit Recommendations
OIG Draft Report on CMIR

Finding 1: Actions Taken to Eliminate the CMIR Backlog

Recommendation 1 – The Commissioner of Customs should evaluate its current actions to obtain funds for the CMIR program. Due to the importance of the program to financial investigations, funding should be requested annually to facilitate continuity in program operations. This will reduce the risk of backlogs or delays in processing future CMIR reports.

Response: Concur. Base funding each year in the amount of \$500,000 was requested and approved to support the CMIR data entry. This funding was approved under the Emergency Supplemental approved by Congress in February 2001.

Planned completion date: Completed

Recommendation 2 – The Commissioner of Customs should continue efforts to further improve the overall CMIR program process and the CMIR form 4790.

Response: Concur. Customs worked its CMIR action plan through April 2002, at which time the only remaining open items involved process re-engineering and revision of the CMIR form. Customs has been engaged in CMIR re-engineering since November 2001, and has finalized a solution that will allow CMIR data to be captured within 48 hours of travel, and will significantly reduce the error rate. Based upon the current circumstances, we anticipate a full deployment of the digital sending solution in late 2003. In addition, Customs has been working with FinCEN on a new form, which has been reviewed by all Customs stakeholders (OI, OFO, OIT, Chief Counsel) as well as FinCEN. The new form has been reviewed and approved, and is awaiting release for public comment.

Planned completion date: Completed

Appendix 2
Management Comments

-2-

Recommendation 3 – The Commissioner of Customs should assess efforts for cost effective and enhanced electronic transmission methods to operate the program, including continued efforts towards a fully automated integrated system, with links to its existing systems, and assess whether its current Contractor provides the most cost effective method for capturing CMIR data.

Response: Concur. Customs assessed the following three processes:

- 1) Status quo
- 2) PDA data capture at the Port
- 3) Digital sender

After a cost benefit analysis of the 3 options, the digital sender solution was the deemed to be the most cost effective, retaining the current contractor for the data entry.

Planned completion date: Completed

Finding 2: Implementation of the Revised CMIR Form

Recommendation 1 – The Commissioner of Customs should continue work actions with FinCEN's Director as outlined in their MOU to provide assistance to one another to further improve and enhance the existing CMIR 4790 form and processes.

Response: Concur. Customs has been engaged in CMIR re-engineering since November 2001, and has finalized a solution that will allow CMIR data to be captured within 48 hours of travel, and will significantly reduce the error rate. Based upon the current circumstances, we anticipate a full deployment of the digital sending solution in late 2003. In addition, Customs has been working with FinCEN on a new form, which has been reviewed by all Customs stakeholders (OI, OFO, OIT, Chief Counsel) as well as FinCEN. The new form has been reviewed and approved, and is awaiting release for public comment.

Planned completion date: Completed

Appendix 3
Major Contributors To This Report

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Ethel Taylor-Young, Audit Manager
Eno Ukih, Auditor

U.S. Department of the Treasury

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Office of Accounting and Internal Control

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